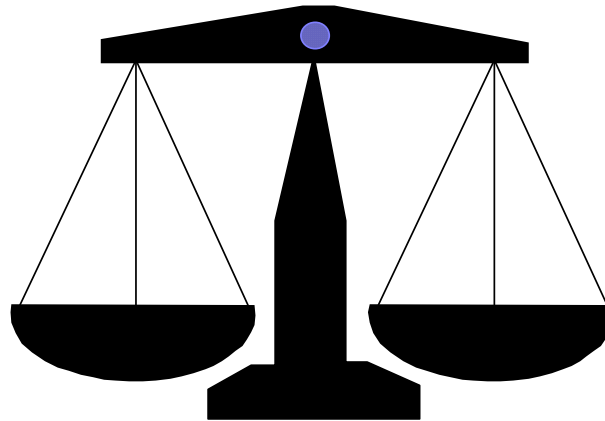


Updated April 14, 2004

# City of Salisbury

## Purchasing Manual



*“Better Stewards of Tax Dollars”*

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**INTRODUCTION**

**This manual has been prepared to serve as a guideline to all departments and divisions of the City in obtaining apparatus, supplies, materials, equipment and services.**

**A special attempt has been made to design policies and procedures that will serve the City's needs and provide for a more effective and efficient buying process. Like any policies or procedures, they can be effective only if the individuals involved are aware of what they are, how they apply, and the problems to be encountered when they are not followed. For this reason we have tried to explain each directive in detail giving the purpose, the policy, and the procedure for carrying it out.**

**To get the most value from this manual the following suggestions are offered:**

- (1) All Department Heads and Division Managers should be familiar with this manual.**
- (2) The manual should be reviewed by all personnel involved in the purchasing process.**
- (3) All new personnel who may be involved in purchasing items for the City should review this manual before participating in any purchasing.**
- (4) The manual should be accessible to everyone concerned with purchasing items for the City.**

**The Purchasing Division hopes this manual will be a worthwhile working tool for your department. Any comments or suggestions for improving any of the contents of the manual are most welcomed.**

**Dewey D. Peck  
Purchasing Manager**

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

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**Minority Business Participation Goals and Guidelines**

In March of 1994, the City of Salisbury adopted a resolution establishing a “verifiable percentage goal of 5% for participation by minority business in the awarding of building construction contracts which are awarded under the formal bid procedures [\$200,000 –up] pursuant to N.C.G.S. 143-128”.

Effective January 1, 2002, Senate Bill 914 was adopted by the State which modified N.C.G.S. 143-128 substantially by; increasing the formal bid threshold to \$300,000, providing more flexible methods of bidding construction contracts, clarifying certain laws involving employees “dealing with self”, and qualifying certain additional groups, “socially and economically disadvantaged individuals” as minorities.

Senate Bill 914 establishes new reporting requirements designed to promote the use of minority contractors and to document “good faith efforts” towards that end.

Also required by this new Bill was the establishment of a “minority outreach plan” and a dispute resolution process” for use when bidding construction or repair projects that qualify under the formal bid guidelines.

*Copies of the “Minority Outreach Plan” and the “Rules For Implementing Mediated Settlements” are available from the Purchasing Manager’s Office.*

Note: The City of Salisbury has elected to use \$200,000 as the “formal bid” threshold to be used when bidding construction or repair projects.

For construction or repair projects in the “informal category” \$5,000 -199,999.99 Senate Bill 914 requires the agency to solicit minority participation and to document “it’s” good faith efforts in minority participation. This “documentation” is to be reported to the Department of Administration, Office of Historically Underutilized Business “upon completion of the project”.

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**Contractual Insurance Requirements   Construction Contracts**

These guidelines are not all inclusive and scopes and limits could change due to the nature of the service provided. However, minimum standards are illustrated below.

A vendor shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work by the contractor, his agents, representatives, employees or subcontractors, if applicable.

**Minimum Scope of Insurance:**

- General Liability
- Auto Liability, if applicable
- Worker's Compensation Insurance
- Professional Liability, when applicable

**Minimum Limits of Insurance:**

General Liability – No less than \$1,000,000, with \$2,000,000 being the preferred limit per occurrence for bodily injury, personal injury and property damage. General aggregate limit shall apply separately to each project/location and limit shall not be less than the required occurrence limit.

Auto Liability – No less than \$1,000,000, with \$2,000,000 being the preferred limit per occurrence combined single limit per accident per for bodily injury and property damage.

Workers Compensation and Employers Liability: Workers Compensation as required by the State of North Carolina and Employers Liability limits of no less than \$1,000,000 for bodily injury per accident.

**Deductibles and Self-Insured Retention:**

Any deductible or self-insured retention must be declared to and approved by the city.

**OTHER INSURANCE PROVISIONS**

The policy or policies are to contain, or be endorsed to contain, the following provisions:

1. Contractor insurance to be considered primary for losses that occur as a direct result of the contractor's actions. The policy should cover the city for any liability arising out of the activities performed by or on behalf of the contractor, including products and completed operations of the contractor; or automobiles owned, leased, hired or borrowed by the contractor. The coverage shall contain no special limitations on the scope of the protection afforded to the city, its officers, officials, employees or volunteers.
2. Any insurance maintained by the city shall be in excess of the contractor's insurance.
3. Coverage shall state that the contractor's insurance shall not be suspended, voided, canceled, reduced in coverage or in limits except after 30 days written notice.

**VERIFICATION OF COVERAGE**

The contractor shall furnish the city with certificates of insurance and with original endorsements. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and/or endorsements are to be provided to the city on standard form before a contract is valid.

**CITY OF SALISBURY  
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**THE BIDDING PROCESS**

**THE FOLLOWING PAGES ARE TO INTRODUCE YOU TO THE BIDDING PROCESS  
WHICH INCLUDES THE FOLLOWING:**

- **Competitive Bids**
- **Informal Bids**
- **Formal Bids**
- **Advertising for Bids**
- **Award of Bids**
- **Bids Requiring City Council Action**
- **Vendor Relationship**

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT:     COMPETITIVE BIDDING**

**PURPOSE:**     The purpose of this policy shall be to define the City's position on competitive bidding.

**POLICY:**       Competitive Bidding

It is the policy of the City to write product specifications in such a way as to encourage competitive bidding whenever possible. In such cases where the specifications recommended by a department head or others have the result of discouraging or precluding competitive bidding, the burden of the proof shall rest with that department head or others to justify the need for such restrictive specifications. The City Council shall always be advised of situations where competitive bidding was not possible and the reasons. Those insisting on specifications which discourage or preclude competitive bidding shall be expected to defend those specifications before the City Manager.

It is also the policy of the City to offer local vendors the opportunity to submit bid proposals on any items or projects that are within that vendor's normal scope of work.

This policy should not be interpreted as restricting requests for bid proposals to local vendors only . The purpose of this policy is to assure that local vendors have an opportunity to participate in City contracts



**CITY OF SALISBURY**  
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**SUBJECT:     INFORMAL BID - For the purchase of “Apparatus, Supplies, materials, and Equipment”**

**PURPOSE:**     The purpose of this policy is to provide a uniform procedure for the purchase of “apparatus, supplies, materials, or equipment” involving the expenditure of more than \$5,000 but less than \$90,000.

**POLICY:**     Written specifications shall be prepared by the requesting department and reviewed by the Purchasing Division for all purchases that exceed \$5,000.

Contracts issued by the North Carolina Division of Purchasing and Contracts shall be used whenever possible in the acquisition of all “apparatus, supplies, materials, or equipment”.

Local vendors registered with the State of North Carolina as “**Historically Underutilized Businesses**” shall be given every opportunity to offer bid proposals on purchases of “apparatus, supplies, materials, or equipment” for the City of Salisbury.

All proposals, quotes, or bids, received for purchases of \$5,000 or more shall be in written form.

The Purchasing Division is responsible for maintaining files containing original copies of all bid documents for purchases that exceed \$5,000.

Proposals for purchases under \$5,000 may be obtained in writing or verbally from a supplier. The requesting department is responsible for maintaining records of all written or verbal proposals received for purchases under \$5,000.

**PURCHASE APPROVAL:**

Approval of purchases involving the expenditure of more than \$5,000 but less than \$50,000 are made by the Purchasing Manager.

Approval of purchases involving the expenditure of more than \$50,000 but less than \$90,000 are made by the City Manager.

Purchases involving the expenditure of more than \$90,000 are classified as formal bids and require approval of the City Council.

**CITY OF SALISBURY**  
**PURCHASING POLICIES AND PROCEDURES**

**SUBJECT:    INFORMAL BIDS - BUILDING CONSTRUCTION OR REPAIR CONTRACTS**

**PURPOSE:**    The purpose of this policy is to provide a uniform procedure for soliciting bid proposals for **BUILDING CONSTRUCTION OR REPAIR** contracts with an estimated expenditure of more than \$5,000 but less than \$200,000.

**POLICY:**        Written specifications shall be prepared by the requesting department and reviewed by the

Purchasing Division for all **Building Construction or Repair** contracts with an estimated expenditure of more than \$5,000 but less than \$200,000.

**Building Construction or Repair** contracts with an estimated expenditure in excess of \$50,000 will require the services of an architect or engineer.

**Building Construction or Repair** contracts with an estimated expenditure of \$5,000 or more are subject to constraints mandated by Senate Bill 914, which requires minority notification and solicitation in all **Building Construction or Repair** contracts.

As accurate and detailed documentation is critical to meet the reporting requirements of Senate Bill 914, the Purchasing Division **shall** be involved in all phases of **Building Construction or Repair** contracts involving City owned buildings.

The Purchasing Division is responsible for maintaining files containing original copies of all **Building Construction or Repair** contract documents.

**PURCHASE APPROVAL:**

Approval of **Building Construction or Repair** contracts involving the expenditure of more than \$5,000 but less than \$50,000 are made by the **Purchasing Manager**.

Approval of **Building Construction or Repair** contracts involving the expenditure of more than \$50,000 but less than \$200,000 are made by the **City Manager**.

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT: FORMAL BID - For the purchase of “Apparatus, Supplies, materials, and Equipment”**

**PURPOSE:** The purpose of this policy is to provide a uniform procedure for the purchase of “apparatus, supplies, materials, or equipment” involving the expenditure of \$90,000 or more.

**POLICY:** Detailed written specifications are prepared by the requesting department with the assistance of the Purchasing Division for all purchases involving the expenditure of \$90,000 or more.

Contracts issued by the North Carolina Division of Purchasing and Contracts shall be used whenever possible in the acquisition of all “apparatus, supplies, materials, or equipment”.

Local vendors registered with the State of North Carolina as “**Historically Underutilized Businesses**” shall be given every opportunity to offer bid proposals on purchases of “apparatus, supplies, materials, or equipment” for the City of Salisbury.

All bid proposals received for purchases of \$90,000 or more shall be in written form.

The Purchasing Division is responsible for maintaining files containing original copies of all Formal Bid documents.

**PURCHASE APPROVAL:**

Approval of purchases involving the expenditure of \$90,000 or more is the responsibility of the City Council.

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT: FORMAL BIDS - BUILDING CONSTRUCTION OR REPAIR CONTRACTS**

**PURPOSE:** The purpose of this policy is to provide a uniform procedure for soliciting bid proposals for **BUILDING CONSTRUCTION OR REPAIR** contracts with an estimated expenditure of \$200,000 or more.

**POLICY:** Formal bid documents are prepared by the Purchasing Division including the specifications and blueprints prepared by an Architect or Engineer for all **Building Construction or Repair** contracts with an estimated expenditure of \$200,000 or more.

**Building Construction or Repair** contracts with an estimated expenditure of \$200,000 or more are subject to constraints mandated by **Senate Bill 914**, which requires minority notification and solicitation in all **Building Construction or Repair** contracts.

Local vendors registered with the State of North Carolina as “**Historically Underutilized Businesses**” shall be given every opportunity to offer bid proposals on **Building Construction or Repair** contracts with the City of Salisbury.

As accurate and detailed documentation is critical in meeting the reporting requirements of Senate Bill 914, the Purchasing Division shall be involved in all phases of **Building Construction or Repair** contracts involving buildings owned by the City of Salisbury.

The Purchasing Division is responsible for maintaining files containing original copies of all **Building Construction or Repair** contract documents.

**PURCHASE APPROVAL:**

Approval of **Building Construction or Repair** contracts involving the expenditure of \$200,000 or is the responsibility of the City Council.

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT:**     **ADVERTISING FOR BIDS**

**PURPOSE:**    The purpose of this policy is to establish who shall advertise for bids and when.

**POLICY:**      North Carolina G.S. 143-129(b) require that at least seven full days must lapse between the date the advertisement appears and the date of the opening of formal bids.

Examples of Formal bids that require advertising include the following:

- \*(1) Apparatus, Supplies, Materials, & Equipment  
\$90,000.00 or more
- \*(2) Construction or Repair  
\$200,000.00 or more
- \*\* (3) Public Works Construction Contracts  
\$200,000.00 or more
- \*\* (4) Certain Specific Projects Authorized by City Council  
\$50,000.00 or more

\*Advertised by Purchasing Agent

\*\* Advertised by Consultant or City Clerk

- PROCEDURE:**
- (1) All Legal Notices are published in the Salisbury Post.
  - (2) Legal Notices are normally due to the newspaper office 2 days prior to publication unless a weekend is involved.
  - (3) Each Legal Notice must contain the following:
    - (a) Time and location where plans and specifications may be obtained
    - (b) Time and location of bid opening
    - (c) The City shall reserve the right to reject any and all bids
    - (d) On certain construction contracts, a notice that bidders must be properly licensed under Chapter 87, General Statutes of NC (GS 87-15) is required.

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT:**     **AWARD OF BIDS**

**PURPOSE:**     The purpose of this procedure is to make known how bids are awarded.

**POLICY:**       It shall be the City's policy to award all bids in accordance with N.C. General Statutes 143-129 (b).

**PROCEDURE:**

- (1) Bids shall be awarded to the **lowest responsible bidder** taking into consideration:
  - A.     Quality
  - B.     Performance
  - C.     Time specified in proposal for performance of the contract
- (2) Informal bids (under \$90,000.00) are awarded by the Purchasing Agent.
- (3) Formal bids (\$90,000.00 or more) are awarded by the City Council based on recommendation by staff.

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT: BIDS REQUIRING CITY COUNCIL ACTION**

**PURPOSE:** The purpose of this policy is to define those items which require City Council Approval.

**POLICY:** It is the City's policy to obtain approval of the City Council on the following:

- (1) Bid of \$90,000.00 or more for the purchase of apparatus, supplies, materials, and equipment.
- (2) Bids of \$100,000.00 or more for construction or repair work.
- (3) Bids for services costing \$50,000.00 or more per contract period.

**CITY OF SALISBURY  
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**SUBJECT:     VENDOR RELATIONSHIP**

**PURPOSE:**     The purpose of this procedure is to make known the City's policy in developing relationships with vendors.

**POLICY:**       It is the City's policy to continue improving vendor relationships whereby the City can benefit from competitive bidding.

**PROCEDURE:**

**VENDOR RELATIONS**

It is the desire of the Purchasing Division to maintain good vendor relations at all times. This shall be done by providing vendors with an equal opportunity to submit prices on a competitive basis. **No one supplier is to be played against another.** Care shall always be taken to avoid imposing on a supplier's time when it is known that bids will be requested and opened to all bidders. Unless, the supplier is aware of the bid situation, the City may find it has obligated itself to the supplier. If detailed work is required of a supplier in order to prepare specifications, then the supplier should be paid for the service.

**INTERVIEWING SUPPLIERS**

All suppliers who wish to do business with the City of Salisbury should first contact the Purchasing Division and provide a listing of the products or services they wish to provide. The Purchasing Division will maintain a vendor file for future reference. When a need arises, the Department Manager should contact the Purchasing Division for a vendor source or reference.

**A DEPARTMENT OR DIVISION OF THE CITY MUST NOT PLACE A VERBAL ORDER WITH A SUPPLIER OR DO ANYTHING THAT WOULD OBLIGATE THE CITY BEFORE THE ISSUANCE OF A PURCHASE ORDER.**

**SELECTION OF VENDORS**

Suppliers are selected based on results of interviews and their ability to furnish and service a quality product. The Purchasing Division maintains a list of suppliers of various products and before purchases are made the suppliers are given an opportunity to furnish a price quotation. New suppliers are added to the bid list as they become available. It is the City's policy to award orders to the lowest responsible bidders.

**PREFERENCE TO VENDORS**

Preference will be given to bidders only when tie bids are involved and one of the bidders is a local supplier and the other is from out-of-town or out-of-state. In this case, the local supplier would be awarded the business, if it is deemed in the best interest of the City of Salisbury.



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**PURCHASING POLICIES & PROCEDURES**

THE FOLLOWING PAGES ARE TO INTRODUCE YOU TO THE USE OF PURCHASING POLICIES & PROCEDURES WHICH INCLUDE THE FOLLOWING:

- Electronic Requisitions
- Procurement Card
- Purchase Orders
- Open Purchase Orders
- Orders: How, When, and Why
- Emergency Purchase Orders
- Receiving of Goods

**CITY OF SALISBURY  
PURCHASING POLICIES AND PROCEDURES**

**SUBJECT:**     **ELECTRONIC** (or online) **PURCHASE REQUISITION**

**PURPOSE:**     The purpose of the electronic requisition is to order apparatus, supplies, materials, and equipment.

**POLICY:**       The City uses the electronic purchase requisition form to order supplies or materials through the Purchasing Division.

**NOTE:**

The paper purchase requisition form has been replaced by the new MAIS purchasing software. Now requisitions are filed electronically by the end user but do not become purchase orders until they are reviewed and approved. The Department Manager or authorized personnel must “review” the order as entered. Purchasing then “approves” the order. At this time a purchase order is issued.

**PROCEDURE:** Please contact the Purchasing Division to arrange for training on the MAIS purchasing software as new personnel are assigned purchasing responsibilities.

**CITY OF SALISBURY  
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**SUBJECT: PROCUREMENT CARD POLICY**

**POLICY:** The purpose of this policy is to provide a procedure in the purchasing process for the use of procurement cards for small value purchases (**less than \$500.00 per item**).

**OVERVIEW:** The use of procurement cards has been proven to be a cost effective method of obtaining low cost supply and service items for the City.

Some travel and training costs may also be handled best through the procurement card process.

**SCOPE:** The procurement card will be used only when:

- A. The items and/or services to be purchased are for the official use of the City of Salisbury.
- B. The types of items and/or services to be purchased are those established by the Department Director/ Division Manager and approved by Finance.
- C. The cost of the proposed purchase does not exceed the small value purchase transaction limit (\$500.00) established by the Department Director/Division Manager and approved by Finance.

**PROCEDURE:**

For the procurement card process to operate efficiently, a timely response to each of the elements of the procedures is required from those concerned.  
Failure to do so will result in past due transactions appearing on the statements and cards being rejected because of limits being exceeded.  
Employee absence should be anticipated and arrangements put in place so that the process flow will not be delayed.

**For the protection of all, the Purchasing Manager is to be notified immediately when a card is lost or stolen.**

- 1. Issuance of procurement card**
  - A. The employee must sign documentation verifying agreement to conditions of use.
  - B. The Department Director/Division Manager will determine the purchase authority of their employee and sign the enrollment form indicating approval. (A memo requesting issuance of a card may be used in lieu of a signed enrollment form)
  - C. Finance/Purchasing will review the enrollment form and process for issuance of a procurement card to the employee.
  - D. New procurement cards are ordered as needed.

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**2. Use of procurement card**

- A. The cardholder will retain vendor's receipts, records of telephone orders and/or copies of mail orders and file for future reconciliation of the purchase card statement.

**3. Payment of procurement card charges**

- A. The Department Director/Division Manager will ensure that sufficient funds are available to pay for every purchase.
- B. The cardholder will receive an electronic statement on a weekly basis. It is the cardholder's responsibility to assign the correct account number to each item on the weekly statement and to return the electronic statement to the Purchasing Division on a timely basis. [within 3 working days]
- C. The Purchasing Division will forward all completed electronic statements to accounting for posting to the General Ledger on a weekly basis.
- C. The cardholder will reconcile the monthly statement received from Purchasing with the receipts and sign as correct.
- D. Undocumented transactions (telephone orders) can be approved by noting beside the item on the statement "No receipt – O.K. to pay" and signed by the Department Director/ Division Manager.
- E. The Department Director/ Division Manager will review the reconciled statement, mark the statement as "Approved for payment", sign and return to the Purchasing Division with receipts on a timely basis. [within 10 working days].
- F. The Purchasing Division will randomly flag statements for the user to justify charges. Flagged statements are to be returned separated from non-flagged statements to the Purchasing Division
- G. Any disputed transactions are to be referred to the Purchasing Division for handling.

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**SUBJECT: PURCHASE ORDER**

**PURPOSE:** The Purchase Order serves as authorization to the supplier to furnish a product or service to the City. It serves for encumbering funds and assures the suppliers' that funds are available for the purchase.

**POLICY:** No Purchase Order can be processed until the Purchasing Division receives a “Reviewed” electronic requisition from the ordering department.

**Confirming orders will not be issued to suppliers once an order has been placed by a department without authorization.**

The Purchasing Division must authorize and issue all Purchase Orders.

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**SUBJECT: OPEN PURCHASE ORDERS**

**PURPOSE:** Open purchase orders are to be entered into the MAIS purchasing system by the requesting department. Open purchase orders are for those few merchants from whom many repetitive purchases are made as supplies are required. Rather than issue a purchase order for each purchase, one purchase order is issued annually to cover all purchases. In no instance are individual items with a cost of \$5,000 or more to be purchased using an Open Purchase Order. Acquisition of items costing \$5,000 or more as to be handled using the informal bidding procedure described earlier in this manual.

**POLICY:** The Purchasing Agent and Department Head shall work together to use this procedure where it appears to be in the City's best interest.

**PROCEDURE:**

1. The Department Head or Division Manager must make a request to the Purchasing Division (by electronic requisition) giving the following information:
  - A. Name of vendor
  - B. Maximum amount anticipated to be purchased
  - C. Names of individuals who shall be permitted to place or pick-up orders
2. The Purchasing Division will review all requests in the MAIS purchasing system, and if  
in order, will issue the purchase order.
3. Maximum expenditures will be provided on the Open Purchase Order. Such maximums will be worked out with the individual department. Because of bid requirements, no single purchase may be made to exceed \$5,000. Bids are required for all purchases of \$5,000 and more. **(it should be emphasized that this does not mean the total monthly order cannot exceed \$5,000.)**
4. This procedure may be used for in and out-of-town suppliers once authorized by the Purchasing Division.
5. The Open Purchase Order to the vendor will contain such information as:
  - A. Maximum amount that can be ordered
  - B. Department/Division authorized to order
  - C. Persons authorized to place orders
  - D. Billing instructions
  - E. All other information that is normally inserted on a purchase order.
6. The maximum dollar amount on the order will be encumbered as each order is processed.
7. Persons who use this procedure will always refer to the purchase order number when placing orders.

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8. For all orders received on an open purchase order, a signed counter ticket, packing slip, etc., must be forwarded to the Accounts Payable section of the Finance Department.
9. Examples of items which might come under this procedure are:
  - Concrete
  - Gravel
  - Parts
  - Electrical Supplies

**CITY OF SALISBURY**  
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**SUBJECT:    ORDERS: HOW TO PLACE, RECEIVING, SIGNING, LATE, RETURN, PARTIAL, CHANGING, CANCELLATION**

**PURPOSE:**    The purpose of this procedure is to describe how, when, and where to place orders; what to do upon receiving orders; how to change orders, handle return orders, back orders, and how to cancel orders.

**POLICY:**    It is the City's policy that all orders placed by purchase order be done so by the Purchasing Division. The same shall apply to changing or cancellation of orders.

Normally, once orders are placed, no further follow-up is done unless the Purchasing Division is advised that the order was not delivered on time.

**PROCEDURE:**

**1. HOW TO PLACE AN ORDER**

To place an order that does not require bidding, prepare an electronic requisition . Describe the item in complete detail giving the quantity, size, color, the required features and the estimated time the item will require for delivery.

Delivery instructions should be included on the requisition.

**2. WHEN TO PLACE AN ORDER**

The Purchasing Division should receive all purchase requests in sufficient time to allow the proper procedure to be followed in obtaining the required item.

Example:

A. Routine purchase orders are normally processed within 2 days of receipt of electronic requisition.

B. Items with an estimated cost of \$5,000 to \$89,999.99 require informal bids and require a **60 day lead time**.

C. Items with an estimated cost of \$90,000.00 or more requires the formal bid Procedure, advertisement, receiving bids and approval of the City Council. These require a **90 day lead time**.

**3. WHERE TO PLACE ORDERS**

All orders authorized by a Department Head or Division Manager are to be sent to the Purchasing Division for processing.

**4. RECEIVING AN ORDER**

When an order is received it must be checked carefully to insure it agrees with the delivery ticket, and that it is in good condition.

If the item is correct, an E-mail is sent to the Purchasing Division stating that the order has been received and is approved for payment.



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Should part of an order be back ordered, it should be noted on the E-mail which item or items are missing and if a partial payment is approved.

**5. SIGNING FOR ORDERS**

Delivery tickets should be signed only by the person in charge of an office or one who has been authorized to do so by his supervisor. Before signing a delivery ticket, the quantity and condition of the delivered item should be checked carefully. If the item is boxed or crated where it cannot be checked, indicate on the delivery ticket "Item Not Checked". If damage is apparent, indicate "Damaged" on the delivery ticket and contact the vendor immediately. The Purchasing Division should also be advised of this action.

**6. LATE ORDERS**

When a purchase order is issued, an "expected delivery date" is established for tracking purposes. When this delivery date passes, the Purchasing Division checks with the receiving department to determine if the item has been received. If it has been received and no receiving report has been forwarded to the Purchasing Division, the department is requested to complete a receiving report and send to the Purchasing Division. If an item is not received by the expected delivery date, the department responsible for receiving the goods will contact the vendor to determine the order status and expedite the order if possible.

**7. RETURN ORDERS**

Most firms require that they be contacted for permission and instructions before an order can be returned. There may be a restocking fee for returned goods. All returns should be brought to the Purchasing Divisions attention.

**8. PARTIAL SHIPMENTS**

Partial shipments are those whereby only part of an order is delivered. These orders may be paid for upon delivery. It should be noted on the receiving report which item(s) are on back order. Only the items received at this time will be paid.

**9. CHANGE ORDERS**

Orders must be changed in writing and by the Purchasing Division.

**10. CANCELLATION OF ORDERS**

All orders must be canceled in writing by the Purchasing Division.

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**SUBJECT:       EMERGENCY PURCHASE ORDERS**

**POLICY:**       The purpose of this policy is to define an emergency order and how such should be handled.

**DEFINITIONS:**    **“An emergency is an unforeseen combination of circumstances or the resulting state that calls for immediate action”.**

**PROCEDURE:**       During regular office hours (8:30 AM - 5:00 PM)

The appropriate Department Head will make the decision that an emergency exist.

- A. The Requesting User will enter requests into the electronic purchasing system.
- B. Purchasing will then be contacted by phone. The request will be reviewed and the purchase order number will be generated by the electronic purchasing system.
- C. The Purchasing Division will then provide an emergency purchase order number for the department to use when verbally placing the order.
- D. Any counter ticket or invoices associated with this transaction must be forwarded to Purchasing.

**PROCEDURE:**       If the need for an emergency order arises after normal office hours (5:00 PM - 8:30 AM) the following procedure will apply:

- 1. The City Procurement Card is the preferred means of dealing with this situation. Please refer to the Procurement Card procedure policy.
- 2. In the event a vendor with whom the City normally does business can not take the Procurement Card for the purchase of the items needed to satisfy the emergency, a verbal authorization of purchase approval is to be given and an emergency order will be issued on the next working day of the governmental unit.

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**SPECIAL PROCEDURES**

THE FOLLOWING ITEMS COVER OTHER SPECIAL PROCEDURES RELATED TO THE PURCHASING FUNCTION:

- Checking of Funds
- Fixed Assets
- Sale of Surplus Personal Property
- Services

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**SUBJECT:     CHECKING OF FUNDS**

**PURPOSE:**     The purpose of this procedure is to establish the responsibility for insuring funds are available before making or requesting a purchase.

**PROCEDURE:**

1. Before placing an order, first be familiar with what funds were authorized in the budget.
2. Check accounts in MAIS to determine what funds have been used.
3. When ordering capital equipment (that is equipment costing \$5000.00 or more with a life expectancy of one year or more) the item has to be specified and previously approved in the department budget.
4. For orders where there is a lack of sufficient funds, a request for approval must be submitted in writing to the Finance Officer and City Manager.

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**SUBJECT:     FIXED ASSETS**

**Overview of Fixed Assets Accounting and Control**

Fixed assets are specific items of property that: (1) are tangible in nature; (2) have a life longer than one year; and (3) have a significant value. The significant value test is important because the City of Salisbury (City) has individual assets that are tangible and long-lived, but whose value is so small that the time and expense incurred in maintaining detailed accounting and inventory records for them are not justified.

The value of fixed assets for the City, including the very smallest ones, is substantial. Maintaining a complete and accurate accounting for fixed assets with significant value is important for several reasons. Adequate accounting procedures and records for fixed assets is essential to effective property management and control. The stewardship responsibility involved in safeguarding such a large public investment is of the utmost importance to sound financial administration.

**BENEFITS OF A GOOD FIXED ASSETS ACCOUNTING SYSTEM**

A good system of fixed assets accounting facilitates overall control and custody of the City's property; permits the assignment of direct responsibility for custody and proper use of specific fixed assets to individual public officials; and provides data essential to the proper management of fixed assets, including repairs/maintenance management and acquisition of adequate insurance coverage. An accounting of fixed assets is required for preparation of a satisfactory, and complete financial report. To meet the test of full disclosure, an annual financial report of the City must include complete fixed assets information.

**RECORDING FIXED ASSETS**

The City may acquire fixed assets by several methods: purchase, lease-purchase, construction, eminent domain, tax foreclosures, and gifts. Once fixed assets have been acquired and properly recorded on the books of account, subsidiary records on each recorded asset should be set up with the following information: (1) class code; (2) sequence or payment voucher number; (3) date of acquisition; (4) name and address of vendor; (5) abbreviated description; (6) department, division, and unit charged with custody; (7) location; (8) cost; (9) fund and account from which purchased; (10) method of acquisition; (11) estimated life; (12) Purchase Order Number (if applicable) and (13) date, method, and authorization of disposition.

**CONTROLLING FIXED ASSETS**

All equipment fixed assets should be appropriately marked and numbered by a permanent method of identification. Periodic inventories should be taken by authorized personnel.

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**DEPRECIATION**

Depreciation should be recorded in the accounts of proprietary funds (Enterprise Funds and Internal Service Funds) and in those Trust Funds in which expenses, net income, and/or capital maintenance are measured. Depreciation expense is **not** recorded in the accounts of governmental funds (the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.)

**PURPOSE    Classification, Valuation, and Recording of Fixed Assets**

This procedure defines the classifications of fixed assets, discusses fixed assets valuation considerations and elements, and lists steps to follow.

**DISCUSSION - Classification of Fixed Assets**

Fixed assets are tangible items of significant value having useful lives of more than one year. Fixed assets owned by the City should be controlled and recorded in the accounting records. Accounting classifications of fixed assets are:

**Land** - A fixed asset account that reflects the acquisition cost of land and the rights to land owned by the City of Salisbury. It includes all lands held in fee simple and all rights to land that have no termination date.

**Buildings** - A fixed asset account that reflects the acquisition cost of permanent structures owned by the City used to house persons and property. Permanently installed fixtures to or within these structures are considered parts of the structures. The costs of major improvements to structures are included in this account.

**Improvements Other Than Buildings/Distribution and Collection Systems (improvements)** - A fixed asset account that reflects the acquisition cost of permanent improvements, other than buildings, which add value to the land or improve the use of the land.

Examples of such improvements are: fences, retaining walls, drainage systems, sidewalks, driveways, water lines, and sewer lines. Note that when used in connection with fixed assets, the terms "Improvement" and "Betterment" have different meanings. "Improvements" are fixed assets permanently attached to land. "Betterment's" are additions to or changes in existing depreciable assets intended to increase their efficiency or prolong their useful lives.

The City will record public domain or "infrastructure" type fixed assets in the accounting records. This category of fixed assets includes roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and similar assets that are immovable and are of value to the City. Appropriate physical and administrative controls will be maintained over these assets.

**Construction In Progress** - A fixed asset account that reflects the cumulative total of construction projects that will be capitalized upon completion of the project, but is not yet completed. Examples would include water and sewer lines and buildings under construction at year end that will be capitalized upon completion.

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**Equipment** - A fixed asset account that reflects the value of tangible property, not permanently affixed to real property, which is useful in carrying out operations of the City. Examples of equipment are machinery, furniture, and vehicles.

**VALUATION OF FIXED ASSETS**

Fixed assets should be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value when received.

**Cost** - The cost of a fixed asset includes purchase price or construction cost and ancillary charges necessary to acquire the asset or to place it in the intended location and condition for use. Ancillary charges include costs such as transportation charges, site preparation, professional fees, legal claims directly attributable to asset acquisition, and certain interest costs during construction.

**Valuation Illustrations** - Valuation considerations by category of fixed assets include:

**Land** - If purchased, valuation of land includes such costs as purchase price, legal fees, filling and excavation, and other costs related directly to acquisition and preparation for use. Right of ways and easements are recorded at purchase cost plus legal costs. If land is acquired by gift, valuation recorded should be the appraised value at the time of acquisition.

**Buildings** - If purchased, valuation of buildings includes such costs as purchase price, acquisition legal fees, and other professional fees (related to design or construction). If acquired by gift, valuation recorded should be the appraised value at the time of acquisition. Preliminary design and engineering are not included in this valuation and are expensed as incurred.

**Improvements** - The basis of valuation is the same as for buildings.

**Equipment** - The basis of valuation of purchased equipment includes the net contract price, transportation charges, and the cost of installing special devices or other preparations required to place the asset in its intended use. The basis of valuation of donated equipment is the appraised value at the date acquired.

**RECORDING FIXED ASSETS**

The City is required by N.C. General Statutes (G.S. 159-26) to record and control fixed assets. Fixed assets require both physical and fiscal controls. Physically, it is necessary that all assets be identified and clearly marked, and that responsibility be assigned for their custody. Fiscal controls, consisting of records listing the assets owned, location of the assets, custodial responsibilities, and asset values, are intended to facilitate physical controls.

All fixed assets of significant value owned by the City should be recorded in its fixed assets accounting and inventory records. The following significant values are to be utilized:

**Land** - All land and permanent rights to land (e.g. easements) should be recorded without regard to any significant value.

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**Buildings** - All buildings should be recorded at acquisition cost without regard to significant value. Additions to buildings of less than \$10,000 cost should not be recorded.

**Improvements** - All improvements other than buildings should be recorded at acquisition without regard to significant value. Additions to these improvements of less than \$5000 should not be recorded.

**Equipment** - Equipment costing \$5000 and more should be recorded as fixed assets. Additions to equipment costing \$5000 or more should be recorded as fixed assets. Equipment costing less than the above should not be recorded except:

(1) Assets costing less than \$5000 for which property records are required to be maintained by the terms of a grant or other agreement should be capitalized at \$1.00 for each separate asset record.

(2) Equipment costing less than \$5000 that the City desires to control may be capitalized at \$1.00 for each separate asset record.

In the examples listed above, the purpose for recording the asset record at a \$1.00 value is to maintain a dollar amount control over all assets.

### **Procedures**

Fixed assets are recorded in the fixed asset records in accordance with the acquisition method of the asset. Methods as discussed previously are purchase, donation, and construction of fixed assets. Once an asset has been recorded any change in its status, whether it is moved, sold, or junked, must be recorded within that fixed asset's record.

### **PURCHASE**

Fixed assets to be purchased are acquired and recorded as follows:

- (1) The fixed asset need is identified and estimated cost established.
- (2) The fixed asset is budgeted for in a capital outlay account. No fixed assets may be acquired in an operating account nor may an operating expenditure be charged to a capital outlay account.
- (3) An electronic requisition is completed and sent to the Purchasing Division.
- (4) Bid Proposals are obtained and reviewed.
- (5) A Purchase Order for fixed assets is issued.
- (6) Upon receipt of fixed asset, a Receiving Report is prepared which includes the serial number and packing list (if any) and sent to the Purchasing Division.
- (7) The Purchasing Division assigns a Fixed Asset number to the item. The Fixed Asset is not to be placed into service until the serial number is verified and the Fixed Asset tag is affixed to it.
- (8) The Fixed Asset number is entered into the Fixed Asset Master File together with all appropriate information obtained. A tickler file is created so that Fixed Assets that



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lack information can be easily identified and *appropriate action* taken to gather that information.

- (9) Finance Department pays the invoice for the Fixed Asset.
- (10) Each weekly payment to vendors is reviewed to insure that all purchases meeting the Fixed Asset criteria are accounted for.
- (11) Fixed asset records are updated with missing information and removed from tickler file.

**DONATION**

Fixed assets that the City receives through donation are recorded as follows:

- (1) The Fixed Asset is identified and a fair market value established.
- (2) The Purchasing Division assigns a Fixed Asset number to the Fixed Asset. This *number is* then affixed to the Fixed Asset. The Fixed Asset is not to be placed into service until the Fixed Asset Number is affixed to it.
- (3) The Fixed Asset Number is entered into the Fixed Asset Master File together with all appropriate information.

**CONSTRUCTION**

Fixed assets to be created through the construction of a new asset such as buildings, utility lines, or renovation of existing Buildings or Improvements other than Buildings, *is* built and recorded as follows: These additions to Fixed Assets are designated as capital projects and accounted for in a different fashion than non-capital project additions (those acquired via purchase or donation).

- (1) The capital project is identified and estimated costs determined.
- (2) Preliminary design prepared.
- (3) A capital project budget to fund the development of the project's plans and specifications.
- (4) A project number is assigned to the capital project to track costs.
- (5) Bid Proposals are obtained and reviewed.
- (6) Capital Project Ordinance is amended to include construction cost.
- (7) Contracts are awarded to contractor(s) and signed.
- (8) After all Construction has been completed, the Purchasing Division assigns fixed asset number to constructed asset.
- (9) Asset is added to Fixed Asset Masterfile together with all appropriate information.

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All costs associated with a construction project are expensed until a Capital Project Ordinance is approved by the City Council. If a Capital Project is uncompleted at year-end, the costs accumulated during the year are capitalized as construction-in-process. When the capital project is completed, the total cost of the capital project is reclassified from construction-in-process to the appropriate fixed asset classification.

### TRANSFERS

Fixed assets moved from one location to another location are considered to be transferred. This can be either interdepartmental or intradepartmental transfers. These assets are to be accounted for as follows:

- (1) The department which is transferring the asset is to complete a Fixed Asset Change Request. This request is to be signed by the Department Head(s) involved in the move.
- (2) The Fixed Asset Change Request is forwarded to the Purchasing Division.
- (3) The Purchasing Division will update the Fixed Asset Masterfile with the appropriate information.

The Fixed Asset Change Request contains the following information:

- (1) Department making the transfer.
- (2) Department receiving the transfer.
- (3) The location at which the asset is placed.
- (4) The signature of the department head of the receiving department.

### DISPOSALS

Fixed assets that are sold, scrapped, junked, or lost are considered to be disposed of. **No fixed asset is to be sold, scrapped or junked prior to receiving approval from the Purchasing Division.** Fixed assets which are lost will be reported to the City Manager for disposition. These fixed assets are recorded as follows:

- (1) The department disposing of the fixed asset will complete a Fixed Asset Change Request. This request is to be signed by the Department Head.
- (2) The Fixed Asset Change Request is forwarded to the Purchasing Division.
- (3) The Purchasing Division will update the Fixed Asset Masterfile with the appropriate information.

### Account Code Numbers

Capital Projects are to be segregated from normal operating departments with line items established for the various costs that will be incurred during the duration of the project. Such line items could include design, construction, administration, inspection, purchase of land and right-of-way, and coordination. The Accounting Division is responsible for providing any unique account number as necessary.

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The following is a list of various types of equipment and suggested locations for affixing asset control tags or otherwise tagging the equipment.

**TAGGING LOCATIONS**

<b>Illustrative Items of Equipment</b>	<b>Suggested Location of Asset Control Tag</b>
Adding machines, typewriters, calculators, and similar office equipment	Back of machine, near manufacturer's ID tag
Air compressors, welders, generators	Near Manufacturer's ID tag
Air conditioners, freezers, refrigerators, water coolers, vending machines that are owned, and similar type equipment	Right side of upper cover
Chairs	Middle or top of seat back
Copy machines, mail metering and sealing equipment, offset machines, and similar type equipment	Near manufacturer's ID tag (back of most models)
Desks, tables, etc.	Top of right front leg
Files, safes, and other storage equipment	Top right front corner
Floor machines, vacuum cleaners, etc.	Top front
Automobiles, ambulances, trucks, tractors, and other mobile road equipment	On the left front door (drivers side)
Portable power hand tools	Near manufacturer's tag
Radio receivers, transmitters, TV sets, etc.	Back, near manufacturer's ID tag
Other miscellaneous <u>equipment</u>	Near manufacturer's <u>ID tag</u>

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**SUBJECT: SALE OF SURPLUS PERSONAL PROPERTY**

**PURPOSE:** The purpose of this procedure is to establish certain guidelines for the disposal of any obsolete, surplus, or other equipment the City may offer for sale to the public.

**POLICY:**

1. The Purchasing Manager will process all personal property sales for the City of Salisbury. This will be accomplished by requesting the City Council to declare certain items surplus and advertising the sale or by the use of the designated authority of the Council to the Purchasing Manager to sell individual items values at less than \$5,000 by informal procedures designed to obtain a fair market value.
2. No City employee or Department Head may at any time dispose of City owned property of any kind without first approval of the Purchasing Manager.
3. All sales are made in compliance with the NC Statutes governing such.

**HOW ITEMS ARE SOLD –**

Surplus equipment such as automobiles, trucks, furniture, and other equipment are sold annually by public auction as need dictates.

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**SUBJECT: SERVICES**

**PURPOSE:** The purpose of this procedure is to provide a uniform method of obtaining services for the City.

**POLICY:**

1. The following are considered to be professional services and do not normally require bidding unless it is such where competitive bidding would be in the City's best interest:
  - A. Aerial Map Service, Architectural Services, Engineering Services, Special Consultants, Auditing Services, and Secretarial Services
2. It is a policy to submit all services of \$30,000.00 or more to the City Council for approval and to require a written contract.
3. The City Council has adopted a resolution authorizing the City Manager to “negotiate and execute contracts” with Architects and Engineers where the total professional fee would be less than \$30,000.00.

**PROCEDURE:**

Professional Services required under this Policy may be obtained by making direct contact with the specific agency. If it is necessary; however, that a purchase order be used for the service, it is suggested that contracts pertaining to the service be coordinated with the City Attorney's Office.